

The changes occurred in impairment for debt securities are analysed as follows:

	(Thousands of euros)	
	2018	2017
Debt securities held associated with credit operations		
Balance on 1 January	42,886	34,505
Adjustments due to the implementation of IFRS 9 (note 52)	2,946	-
Charge for the year in net income interest (note 2)	211	-
Other transfers	-	(581)
Impairment charge for the year (note 10)	-	10,516
Reversals for the year (note 10)	(6,121)	-
Loans charged-off	-	(1,554)
Exchange rate differences	(1)	-
Balance at the end of the year	39,921	42,886
Debt securities held not associated with credit operations		
Balance on 1 January	n.a.	n.a.
Adjustments due to the implementation of IFRS 9 (note 52)	1,838	n.a.
Reversals for the year (note 10)	(1,554)	n.a.
Balance at the end of the year	284	n.a.

21. Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets available for sale

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

	(Thousands of euros)	
	2018	2017
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	57,942	73,148
Equity instruments	805	1,277
Trading derivatives	637,005	696,214
	695,752	770,639
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,589,899	n.a.
Financial assets designated at fair value through profit or loss		
Debt instruments	33,034	142,336
Financial assets at fair value through other comprehensive income		
Debt instruments	6,900,301	n.a.
Equity instruments	96,591	n.a.
	6,996,892	n.a.
Financial assets available for sale		
Debt instruments	n.a.	4,867,577
Equity instruments	n.a.	1,825,405
	n.a.	6,692,982
	9,315,577	7,605,957

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1B.5. (2017: note 1C.2.3) in the amount of Euros 916,000 (31 December 2017: Euros 0).

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	<u>Financial assets at fair value through profit or loss</u>				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,666	-	33,034	4,096,913	4,133,613
Foreign issuers	-	-	-	151,153	151,153
Bonds issued by other entities					
Portuguese issuers	3,790	16,778	-	955,000	975,568
Foreign issuers	50,486	22,468	-	171,542	244,496
Treasury bills and other Government bonds					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	675,923	675,923
Investment fund units (a)	-	1,541,619	-	-	1,541,619
Shares of foreign companies	-	9,034	-	-	9,034
	57,942	1,589,899	33,034	6,904,023	8,584,898
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	57,942	1,589,899	33,034	6,900,301	8,581,176
Equity instruments					
Shares					
Portuguese companies	372	-	-	24,307	24,679
Foreign companies	-	-	-	15,863	15,863
Investment fund units	-	-	-	56,421	56,421
Other securities	433	-	-	-	433
	805	-	-	96,591	97,396
Trading derivatives					
	637,005	-	-	-	637,005
	695,752	1,589,899	33,034	6,996,892	9,315,577
Level 1	52,280	-	33,034	6,381,244	6,466,558
Level 2	349,504	-	-	461,681	811,185
Level 3	293,968	1,589,899	-	153,967	2,037,834

(a) As at 31 December 2018 this balance include Euros 452,090 related to units of real estate investment funds mainly owned by the Bank.

As at 31 December 2018, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 45.

As at 31 December 2018, the balances Financial assets at fair value through other comprehensive income and Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions, referred in note 1 D) in the amount of Euros 5,418,000 and Euros 103,909,000, respectively.

The portfolio of Financial assets at fair value through profit or loss and Financial assets available for sale, net of impairment, net of impairment, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017			
	Financial assets at fair value through profit or loss			Total
	Held for trading	Designated at fair value through profit or loss	Available for sale	
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	10,035	142,336	2,820,068	2,972,439
Foreign issuers	237	-	4,236	4,473
Bonds issued by other entities				
Portuguese issuers	2,412	-	761,586	763,998
Foreign issuers	60,464	-	203,237	263,701
Treasury bills and other Government bonds				
Portuguese issuers	-	-	584,906	584,906
Foreign issuers	-	-	497,266	497,266
	73,148	142,336	4,871,299	5,086,783
Impairment for overdue securities	-	-	(3,722)	(3,722)
	73,148	142,336	4,867,577	5,083,061
Equity instruments				
Shares				
Portuguese companies	427	-	29,818	30,245
Foreign companies	-	-	9,394	9,394
Investment fund units	-	-	1,786,193	1,786,193
Other securities	850	-	-	850
	1,277	-	1,825,405	1,826,682
Trading derivatives	696,214	-	-	696,214
	770,639	142,336	6,692,982	7,605,957
Level 1	73,575	142,336	4,610,516	4,826,427
Level 2	409,153	-	219,114	628,267
Level 3	287,911	-	1,863,352	2,151,263

As at 31 December 2017, the balances Financial assets held for trading and Financial assets available for sale include bonds issued with different levels of subordination associated with the traditional securitization transactions, referred in note 1 D) in the amount of Euros 5,972,000 and Euros 114,981,000, respectively.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018			Total
	Amortised cost (a)	Fair value hedge adjustments (note 40)	Fair value adjustments (note 40)	
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,995,157	149,359	(47,603)	4,096,913
Foreign issuers	151,909	981	(1,737)	151,153
Bonds issued by other entities				
Portuguese issuers (*)	952,775	4,942	(6,439)	951,278
Foreign issuers	134,676	1,491	35,375	171,542
Treasury bills and other				
Government bonds				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	675,643	-	280	675,923
	6,763,499	156,773	(19,971)	6,900,301
Equity instruments				
Shares				
Portuguese companies	57,330	-	(33,023)	24,307
foreign companies	15,590	-	273	15,863
Investment fund units	56,421	-	-	56,421
Other securities	1,357	-	(1,357)	-
	130,698	-	(34,107)	96,591
	6,894,197	156,773	(54,078)	6,996,892

(*) This caption includes the amount related to impairment of overdue securities.

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and in accordance with the requirements defined in note 1B1.5.1.2.

The portfolio of financial assets available for sale, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017					Total
	Amortised cost (a)	Impairment	Amortised cost net of impairment	Fair value hedge adjustments (note 40)	Fair value adjustments (note 40)	
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,740,251	-	2,740,251	145,003	(65,186)	2,820,068
Foreign issuers	4,157	-	4,157	-	79	4,236
Bonds issued by other entities						
Portuguese issuers (*)	833,060	(87,369)	745,691	6	12,167	757,864
Foreign issuers	171,555	(14,823)	156,732	(391)	46,896	203,237
Treasury bills and other						
Government bonds						
Portuguese issuers	585,072	-	585,072	-	(166)	584,906
Foreign issuers	497,770	-	497,770	-	(504)	497,266
	4,831,865	(102,192)	4,729,673	144,618	(6,714)	4,867,577
Variable income:						
Shares						
Portuguese companies	95,249	(73,106)	22,143	-	7,675	29,818
foreign companies	7,205	(150)	7,055	-	2,339	9,394
Investment fund units	2,266,394	(514,294)	1,752,100	-	34,093	1,786,193
	2,368,848	(587,550)	1,781,298	-	44,107	1,825,405
	7,200,713	(689,742)	6,510,971	144,618	37,393	6,692,982

(*) This caption includes the amount related to impairment of overdue securities

(a) Include interest accrued

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2018 is as follows:

(Thousands of euros)				
2018				
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,952,735	180,878	-	4,133,613
Foreign issuers	151,153	-	-	151,153
Bonds issued by other entities				
Portuguese issuers (*)	679,125	275,893	16,828	971,846
Foreign issuers	136,722	2,757	105,017	244,496
Treasury bills and other Government bonds				
Portuguese issuers	853,492	-	-	853,492
Foreign issuers	675,923	-	-	675,923
Investment fund units	-	-	1,541,619	1,541,619
Shares of foreign companies	-	-	9,034	9,034
	6,449,150	459,528	1,672,498	8,581,176
Variable income:				
Shares				
Portuguese companies	4,727	-	19,952	24,679
foreign companies	-	15,563	300	15,863
Investment fund units	-	-	56,421	56,421
Other securities	-	-	433	433
	4,727	15,563	77,106	97,396
Trading derivatives	-	348,774	288,231	637,005
	6,453,877	823,865	2,037,835	9,315,577

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of Financial assets at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2017, by valuation levels, is analysed as follows:

(Thousands of euros)				
2017				
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,839,539	132,900	-	2,972,439
Foreign issuers	4,460	13	-	4,473
Bonds issued by other entities				
Portuguese issuers (*)	667,665	75,782	16,829	760,276
Foreign issuers	230,994	3,317	29,390	263,701
Treasury bills and other Government bonds				
Portuguese issuers	584,906	-	-	584,906
Foreign issuers	497,266	-	-	497,266
	4,824,830	212,012	46,219	5,083,061
Variable income:				
Shares				
Portuguese companies	1,541	7,102	21,602	30,245
foreign companies	-	-	9,394	9,394
Investment fund units	56	-	1,786,137	1,786,193
Other securities	-	-	850	850
	1,597	7,102	1,817,983	1,826,682
Trading derivatives	-	409,153	287,061	696,214
	4,826,427	628,267	2,151,263	7,605,957

(*) This caption includes the amount related to impairment of overdue securities

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 43.

The item Investment fund units classified as level 3 includes units in restructuring funds (note 43) in the amount of Euros 1,006,988,000 (31 December 2017: Euros 1,022,068,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2018, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

As at 31 December 2018, the Bank holds mainly investment fund units in Real Estate Investment Funds that are classified in level 3.

As at 31 December 2018, the amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 56,421,000, with unrealised net losses in the amount of Euros 1,357,000, and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 476,614,000.

As at 31 December 2017, in the balance Financial assets available for sale, the level 3 participation units include investments in Real Estate Investment Funds amounting to Euros 705,702,000, in which Euros 680,030,000 correspond to funds mainly owned by the Bank. These instruments, classified as level 3, include net unrealised gains in the amount of Euros 44,781,000 and their impairment amounts to Euros 665,392,000.

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2018 is as follows:

(Thousands of euros)							
	2018					Undetermined	Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years			
Fixed income:							
Bonds issued by public entities							
Portuguese issuers	-	860	2,543,948	1,588,805	-	4,133,613	
Foreign issuers	-	-	102,572	48,581	-	151,153	
Bonds issued by other entities							
Portuguese issuers	264,471	13,010	366,519	327,846	3,722	975,568	
Foreign issuers	-	-	48,680	195,816	-	244,496	
Treasury bills and other							
Government bonds							
Portuguese issuers	38,726	814,766	-	-	-	853,492	
Foreign issuers	174,348	501,575	-	-	-	675,923	
Investment fund units	-	9,185	240,916	1,283,267	8,251	1,541,619	
Shares of foreign companies	-	-	-	-	9,034	9,034	
	477,545	1,339,396	3,302,635	3,444,315	21,007	8,584,898	
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)	
	477,545	1,339,396	3,302,635	3,444,315	17,285	8,581,176	
Variable income:							
Companies' shares							
Portuguese companies	-	-	-	-	24,679	24,679	
Foreign companies	-	-	-	-	15,863	15,863	
Investment fund units	-	-	-	-	56,421	56,421	
Other securities	-	-	-	-	433	433	
	-	-	-	-	97,396	97,396	
	477,545	1,339,396	3,302,635	3,444,315	114,681	8,678,572	

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets available for sale, by residual maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					Undetermined	Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years			
Fixed income							
Bonds issued by public entities							
Portuguese issuers	-	113,831	1,134,958	1,723,650	-	-	2,972,439
Foreign issuers	-	52	1,512	2,909	-	-	4,473
Bonds issued by other entities							
Portuguese issuers	27,848	-	642,092	90,336	3,722	-	763,998
Foreign issuers	-	-	50,115	213,586	-	-	263,701
Treasury bills and other							
Government bonds							
Portuguese issuers	89,554	495,352	-	-	-	-	584,906
Foreign issuers	-	497,266	-	-	-	-	497,266
	117,402	1,106,501	1,828,677	2,030,481	3,722	-	5,086,783
Impairment for overdue securities	-	-	-	-	(3,722)	-	(3,722)
	117,402	1,106,501	1,828,677	2,030,481	-	-	5,083,061
Variable income							
Companies' shares							
Portuguese companies	-	-	-	-	30,245	-	30,245
Foreign companies	-	-	-	-	9,394	-	9,394
Investment fund units	-	3,455	170,770	1,604,393	7,575	-	1,786,193
Other securities	-	-	-	-	850	-	850
	-	3,455	170,770	1,604,393	48,064	-	1,826,682
	117,402	1,109,956	1,999,447	3,634,874	48,064	-	6,909,743

The changes occurred in impairment for financial assets at fair value through other comprehensive income and Financial assets available for sale are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	689,742	717,926
Transition adjustments IFRS 9	(686,020)	-
Transfers	788	-
Reversals	(788)	-
Impairment against profit and loss	-	70,310
Amounts charged-off	-	(107,500)
Other variations	-	9,006
Balance at the end of the year	3,722	689,742

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	47,066	-	-	-	47,066
Construction	-	371	30,118	2,395	32,884
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	427,451	-	-	-	427,451
Telecommunications	-	7,782	-	-	7,782
Services					
Financial intermediation (*)	335,565	6,644	1,549,581	-	1,891,790
Real estate activities	-	-	27,374	-	27,374
Consulting, scientific and technical activities	158,735	95	-	-	158,830
Administrative and support services activities	9,720	9,372	-	-	19,092
Public sector	158,360	-	434	-	158,794
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	-	22
	1,216,342	40,542	1,607,507	3,722	2,868,113
Government and Public securities	4,284,766	-	1,529,415	-	5,814,181
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	5,501,108	40,542	3,136,922	-	8,678,572

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,006,988,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 43.

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets available for sale by sector of activity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017				Total
	Bonds	Shares	Other Financial Assets	Overdue Securities	
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Chemicals	26,753	-	-	-	26,753
Construction	-	-	-	2,394	2,394
Wholesale business	49,619	852	-	126	50,597
Restaurants and hotels	-	46	-	-	46
Transports	426,280	2,168	-	-	428,448
Telecommunications	-	6,390	-	-	6,390
Services					
Financial intermediation (*)	281,427	17,001	1,744,650	-	2,043,078
Real estate activities	-	-	41,543	-	41,543
Consulting, scientific and technical activities	111,382	365	-	-	111,747
Administrative and support services activities	-	12,779	-	-	12,779
Public sector	111,833	-	-	-	111,833
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	1	23
Other international activities	-	-	850	-	850
	1,023,977	39,639	1,787,043	3,722	2,854,381
Government and Public securities	2,976,912	-	1,082,172	-	4,059,084
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	4,000,889	39,639	2,869,215	-	6,909,743

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,022,068,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 43.

The Bank, as part of the management process of the liquidity risk (note 49), holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries where the Bank operates, which includes fixed income securities. As at 31 December 2018, this caption includes Euros 39,612,000 (31 December 2017: Euros 40,821,000) of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives by maturity as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 34)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	366,157	1,297,318	8,394,118	10,057,593	340,546	267,815
Interest rate options (purchase)	-	84,927	136,129	221,056	9	-
Interest rate options (sale)	-	1,510	136,129	137,639	-	21
Other interest rate contracts	-	19,174	121,588	140,762	2,031	1,147
	366,157	1,402,929	8,787,964	10,557,050	342,586	268,983
Stock Exchange transactions:						
Interest rate futures	104,693	-	-	104,693	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	71,121	131,745	-	202,866	942	644
Currency swaps	1,858,660	552,788	-	2,411,448	5,111	8,748
Currency options (purchase)	34,075	25,126	27,253	86,454	3,357	-
Currency options (sale)	34,075	25,126	27,253	86,454	-	3,349
	1,997,931	734,785	54,506	2,787,222	9,410	12,741
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	58,059	76,034	462,072	596,165	664	4,809
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	411,029	950,649	1,604,819	2,966,497	666	8,816
Shares/indexes options (sale)	-	-	19,730	19,730	-	-
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,622	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	411,029	950,649	1,658,277	3,019,955	16,288	8,816
Stock exchange transactions:						
Shares futures	686,519	-	-	686,519	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	35	-	-	35	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	123,531	-	294,137	417,668	267,141	287
Other credit derivatives (sale)	-	-	80,553	80,553	-	-
	123,531	-	374,690	498,221	267,141	287
Total derivatives traded in:						
OTC Market	2,956,707	3,164,397	11,337,509	17,458,613	636,089	295,636
Stock Exchange	791,247	-	-	791,247	-	-
Embedded derivatives					916	59
	3,747,954	3,164,397	11,337,509	18,249,860	637,005	295,695

The analysis of trading derivatives by maturity as at 31 December 2017, is as follows:

	(Thousands of euros)					
	2017					
	Notional (remaining term)			Fair value		
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 34)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	342,339	610,766	8,587,986	9,541,091	399,731	332,398
Interest rate options (purchase)	-	83,417	89,285	172,702	456	-
Interest rate options (sale)	-	-	89,285	89,285	-	397
Other interest rate contracts	567	4,070	112,555	117,192	1,947	688
	342,906	698,253	8,879,111	9,920,270	402,134	333,483
Stock Exchange transactions:						
Interest rate futures	110,808	-	-	110,808	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	81,068	57,208	35	138,311	1,360	669
Currency swaps	964,396	403,366	-	1,367,762	2,998	16,096
Currency options (purchase)	11,168	61,638	-	72,806	1,539	-
Currency options (sale)	10,746	61,638	-	72,384	-	1,514
	1,067,378	583,850	35	1,651,263	5,897	18,279
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	-	224,675	371,152	595,827	-	22,288
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	345,574	1,323,637	1,251,343	2,920,554	8,406	4,184
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,588	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	345,574	1,323,637	1,285,071	2,954,282	23,994	4,184
Stock exchange transactions:						
Shares futures	500,045	181,357	-	681,402	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	13,353	-	-	13,353	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	214,950	177,800	428,310	821,060	264,189	2,988
Other credit derivatives (sale)	-	-	68,908	68,908	-	-
	214,950	177,800	497,218	889,968	264,189	2,988
Total derivatives traded in:						
OTC Market	1,970,808	3,008,215	11,032,587	16,011,610	696,214	381,222
Stock Exchange	624,206	181,357	-	805,563	-	-
Embedded derivatives					-	158
	2,595,014	3,189,572	11,032,587	16,817,173	696,214	381,380